

Message Text

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SUBJECT: EMERGENCY PROPOSALS FOR HARD-HIT INDUSTRIES

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SUMMARY: MINISTRY OF INDUSTRY'S CHIEF OF CABINET TOLD ECMIN THAT RECENT DECREE-LAW TO PROVIDE BENEFITS FOR WORKERS OF RECESSION-AFFECTED FIRMS WAS AIMED PRIMARILY AT PROBLEM OF LIQUIDATION OF MULTINATIONAL FIRMS AND INTENDED TO GIVE GOVERNMENT BREATHING SPACE IN WHICH TO SEEK MORE DURABLE SOLUTION TO EMPLOYMENT PROBLEM. DECREE-LAW, WHICH IS RESPONSE TO VERY STRONG PRESSURES ON DC, REPRESENTS SIGNIFICANT STEP TOWARD ACCEPTANCE BY DC OF CONCEPT OF IN VIOLABILITY OF JOBS. IT IS CLEARLY STOP-GAP MEASURE WHICH LEAVES UNCHANGED THE NEED FOR SOLUTIONS TO MANY, MORE BASIC PROBLEMS. END SUMMARY.

1. ON FEBRUARY 2 ECMIN CALLED ON CHIEF OF CABINET OF MINISTER OF INDUSTRY AND COMMERCE, SILVIO LAURITI, TO DISCUSS DETAILS AND BACKGROUND OF DECREE-LAW AUTHORIZING CREATION OF 10 BILLION LIRA FUND FOR GEPI (PARASTATLA BODY DESIGNED
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TO ASSIST AND FINANCE COMPANIES IN DIFFICULTY) TO ASSIST

WORKERS LAID OFF DURING CURRENT RECESSION (REFS A AND C).

2. IN RESPONSE TO ECOMIN'S QUESTIONS, LAURITI MADE FOLLOWING COMMENTS:

(A) IT IS INCONCEIVABLE THAT PARLIAMENT, IRRESPECTIVE OF POLITICAL SITUATION, WILL FAIL TO RATIFY DECREE-LAW WITHIN REQUIRED 60 DAY PERIOD.

(B) DECREE-LAW IS AIMED ESSENTIALLY AT SOLVING EMPLOYMENT PROBLEM IN MULTINATIONAL FIRMS SINCE GOI FINDS IT DIFFICULT TO QTE COMMUNICATE UNQTE WITH THEM, UNLIKE THE CASE WITH ITALIAN FIRMS (IN OTHER WORDS, GOI FAR BETTER ABLE TO PERSUADE AND CAJOLE ITALIAN FIRMS INTO DELAYING FIRING OF WORKERS AND/OR TERMINATION OF OPERATIONS THAN MULTINATIONALS, OVER WHICH IS LEVERAGE IS FAR SMALLER).

(C) MINISTRY OF INDUSTRY HAS NO IDEA WHICH FIRMS' EMPLOYEES WOULD BENEFIT FROM PROVISIONS OF DECREE-LAW. THE MATTER NOW IN HANDS OF CIPE (INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING). HOWEVER, LAURITI NOTED THAT INNOCENTI-LEYLAND HAS BEEN AT FOREFRONT OF EMPLOYMENT PROBLEM, HENCE IT MIGHT WELL HEAD LIST OF BENEFICIARIES. (SINGER HAS INFORMED EMBASSY THAT IT ALSO EXPECTS ITS FORMER EMPLOYEES TO RECEIVE BENEFITS AT EARLY DATE.)

(D) GOI RECOGNIZES THAT DECREE-LAW DOES LITTLE MORE THAN GIVE IT BREATHING SPACE IN WHICH TO SEEK MORE DURABLE SOLUTION TO EMPLOYMENT PROBLEM. LAURITI HOPED THAT BY TIME BENEFITS UNDER DECREE-LAW EXPIRE, LONG-AWAITED RECOVERY WOULD BE UNDERWAY. THIS WOULD, OF COURSE, CONTRIBUTE GREATLY TO EASING UNEMPLOYMENT. HOWEVER, HE BELIEVED ECONOMIC DEVELOPMENTS IN ITALY WOULD BE LARGELY RESULT OF FORCES OUTSIDE ITALY.

3. COMMENT: DECREE-LAW CLEARLY REPRESENTS RESPONSE OF CHRISTIAN DEMOCRATIC PARTY (DC) TO VERY STRONG PRESSURES TO PROVIDE RELIEF FOR WHAT IS PERCEIVED TO BE SERIOUS PROBLEM REPRESENTED BY THE FIRING OF SOME THOUSANDS OF WORKERS IN CONNECTION WITH TERMINATION OF OPERATIONS AND LIQUIDATION OF LIMITED OFFICIAL USE

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COMPANIES. PRESSURES HAVE TAKEN FORM OF PHYSICAL OCCUPATION OF PLANTS BY AFFECTED WORKERS, STRIKES, BLOCKING OF TRANSPORTATION AND UNION CALLS FOR FREEZING ALL LAYOFFS. COMING AT TIME OF CURCIAL POLITICAL IMPORTANCE TO DC, IT WAS DEEMED TO BE ALL THE MORE IMPORTANT FOR SPECIFIC ACTION AIMED AT EMPLOYMENT PROBLEM TO BE TAKEN. ADDITIONAL IMPERATIVE FOR ACTION WAS FACE THAT THE MORE VISIBLE COMPANIES INVOLVED ARE FOREIGN-OWNED, HENCE MORE READILY SUBJECT TO CIRITCISM BY

GENERAL PUBLIC.

4. FORM OF ACTION IS NOVEL IN THAT GEPI WILL EVIDENTLY ACT, IN EFFECT, AS HOLDING COMPANY DESIGNED FOR SOLE PURPOSE OF PROVIDING BENEFITS OF WAGE SUPPLEMENT FUND (80-90 PERCENT OF PREVIOUS WAGES) TO WORKERS WHO WOULD OTHERWISE BE INELIGIBLE (SINCE FUND INTENDED ONLY FOR WORKERS TEMPORARILY LAID OFF). THIS ACTION, THEN, IS PARTICULARLY SIGNIFICANT AS STEP BY DC TOWARD ACCEPTANCE OF QTE FULL EMPLOYMENT UNQTE CONCEPT, I.E. THAT NO ONE SHOULD BE FIRED FROM ANY JOB, WHICH HAS BEEN PRO-POUNDED BY BOTH SOCIALISTS AND COMMUNISTS.

5. IN ECONOMIC -- AND TO SOME EXTENT POLITICAL -- TERMS, DECREE-LAW IS LITTLE MORE THAN STOP-GAP MEASURE. ADDED FINANCIAL BURDEN, HOWEVER, WILL HAVE TO BE MEASURED AGAINST SHORT-TERM POLITICAL BENEFITS. IF TIMING AND MODE OF RECOVERY ARE SUCH AS TO RELIEVE DOWNWARD PRESSURE ON EMPLOYMENT BEFORE BENEFITS UNDER PROGRAM RUN OUT, DC MAY FIND THAT IT HAS GOT OFF THE HOOK CHEAPLY. NONETHELESS, MANY BASIC PROBLEMS WILL STILL HAVE TO BE FACED -- SHARPLY RISING LABOR COSTS, LABOR IMMOBILITY, INDUSTRIAL RESTRUCTURING, ETC. -- BEFORE LONGER-TERM SOLUTIONS CAN BE FOUND ON EMPLOYMENT PROBLEM. AT THE MOMENT, THERE IS NO POLITICAL WILL FOR TAKING THE TOUGH DECISIONS WHICH WILL BE REQUIRED. SOCIALISTS ARE CLEARLY NOT PREPARED FOR THESE, NOR IS DC PREPARED TO BRING COMMUNISTS ON BOARD FOR THE POLITICAL CONSENSUS WHICH WOULD BE REQUIRED.

5. DECISION ON DECREE-LAW WAS APPARENTLY PRECEDED BY INFORMAL SOUNDINGS WITH OTHER POLITICAL PARTIES AND LABOR WITH GENERALLY POSITIVE RESULTS. NONETHELESS, PUBLIC REACTION HAS BEEN ALMOST UNIFORMLY CRITICAL. BUSINESS-ORIENTED PRESS (AND REPUBLICAN LEADER LA MALFA) CRITICIZED MEASURE AS BURDENING TAXPAYERS FOR SMALL GROUP OF WORKERS (MAINLY IN THE NORTH) TO EXCLUSION LIMITED OFFICIAL USE

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OF OTHERS IN SAME SITUATION AND AS SETTING DANGEROUS PRECEDENT FOR FUTURE VIS-A-VIS GOVERNMENT'S BEING EXPECTED TO GUARANTEE ALL JOBS. PRESS TO LEFT OF DC HAS ATTACKED MEASURE AS STOP-GAP WHICH FAILS TO COME TO GRIPS WITH MORE BASIC PROBLEM. LAURITI'S REACTION TO PRESS CRITICISM WAS THAT ONE COULD EXPECT LITTLE ELSE FROM ITALIAN PRESS, WHICH IS ALWAYS QUICK TO CRITICIZE BUT SLOW TO PROVIDE ANY ALTERNATIVES. VOLPE

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